

WINTERSET COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

Table of Contents

	<u>Page</u>
Board of Education and School District Officials	2
Independent Auditor's Report	3-4
Management's Discussion and Analysis (MD&A)	5-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 15-16
Statement of Activities	B 17-18
Governmental Funds Financial Statements:	
Balance Sheet	C 19
Reconciliation of the Balance Sheet -	
Governmental Funds to the Statement of Net Assets	D 20
Statement of Revenues, Expenditures and Changes in Fund Balances	E 21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances - Governmental Funds To the Statement of Activities	F 23
Proprietary Funds Financial Statements:	
Statement of Net Assets	G 24
Statement of Revenues, Expenses and Changes in Net Assets	H 25
Statement of Cash Flows	I 26
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets	J 27
Statement of Changes in Fiduciary Net Assets	K 28
Notes to Financial Statements	29-40
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in	
Balances - Budget and Actual - All Governmental Funds	
and Proprietary Funds	42
Notes to Required Supplementary Information - Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan	44
Other Supplementary Information:	<u>Schedule</u>
Non-major Governmental Funds:	
Combining Balance Sheet	1 46
Combining Schedule of Revenues, Expenditures and	
Changes in Fund Balances	2 47-48
Schedule of Changes in Fiduciary Assets and Liabilities	3 49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	4 50-51
Schedule of Revenues by Source and Expenditures by Function -	
All Governmental Funds	5 52
Schedule of Expenditures of Federal Awards	6 53
Independent Auditor's Report on Internal Control over Financial Reporting	
and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-56
Independent Auditor's Report on Compliance with Requirements Applicable	
to Each Major Program and on Internal Control over Compliance	
in Accordance with OMB Circular A-133	57-58
Schedule of Findings and Questioned Costs	59-61

**Winterset Community School District
Board of Education and School District Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2009 Election)		
Jeff Nicholl	President	2009
Shane Pashek	Vice-President	2011
Sarah Kelley	Board Member	2011
Michael Motsinger	Board Member	2011**
Gretchen Holcomb	Board Member	2009**

Board of Education
(After September, 2009 Election)

Jeff Nicholl	President	2013
Shane Pashek	Vice-President	2011
Sarah Kelley	Board Member	2011*
Michael Motsinger	Board Member	2011**
Karen Blookhart	Board Member	2013

School District Officials

Mike Wells	Superintendent	2010
Cammy Leners	Business Manager/Board Secretary	2010
Ahlers Law Firm	Attorney	Indefinite

* Resigned effective June 30, 2010.

** Board term extended and reduced per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.



705 Main Street
Pella, IA 50219
641-628-3737

www.vanmaanencpa.com

Van Maanen, Sietstra & Meyer, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education of
Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District, Winterset, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010 on our consideration of Winterset Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Schedule of Funding Progress for the Retiree Health Plan and Budgetary Comparison Information on pages 5 through 14 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winterset Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

December 16, 2010

The Winterset Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 Financial Highlights

- General Fund revenues increased from \$14,662,269 in fiscal 2009 to \$15,521,980 in fiscal 2010, while General Fund expenditures increased from \$15,839,836 in fiscal 2009 to \$16,023,620 in fiscal 2010. This resulted in a decrease of \$501,640 in the District's General Fund balance from -\$1,606,129 in fiscal 2009 to -\$2,107,769 in fiscal 2010.
- The increase in General Fund revenues was attributable to higher tax revenue (\$2.13 rate increase as well as a 3% increase in property valuations) and new revenue sources including American Recovery and Reinvestment Act funding and several small grant awards. These resources should have improved the financial position of the District but were diluted by the 10% across the board State funding cuts declared in November 2009.
- The increase in General Fund expenditures of 1.2% was attributable primarily to increased salaries and benefits. The increase was mitigated by eliminating consultants and by not hiring replacements for any positions open due to mid-year resignations.
- The District issued \$2.95 million of general obligation bonds used to finance the completion of the new middle school. They also issued \$6.325M School Infrastructure Sales, Service and Use Tax Revenue Bonds to be used for additions to the Elementary, Junior High and High School buildings.
- Mike Wells came to the District in July as the new Superintendent.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sample Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sample Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sample Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

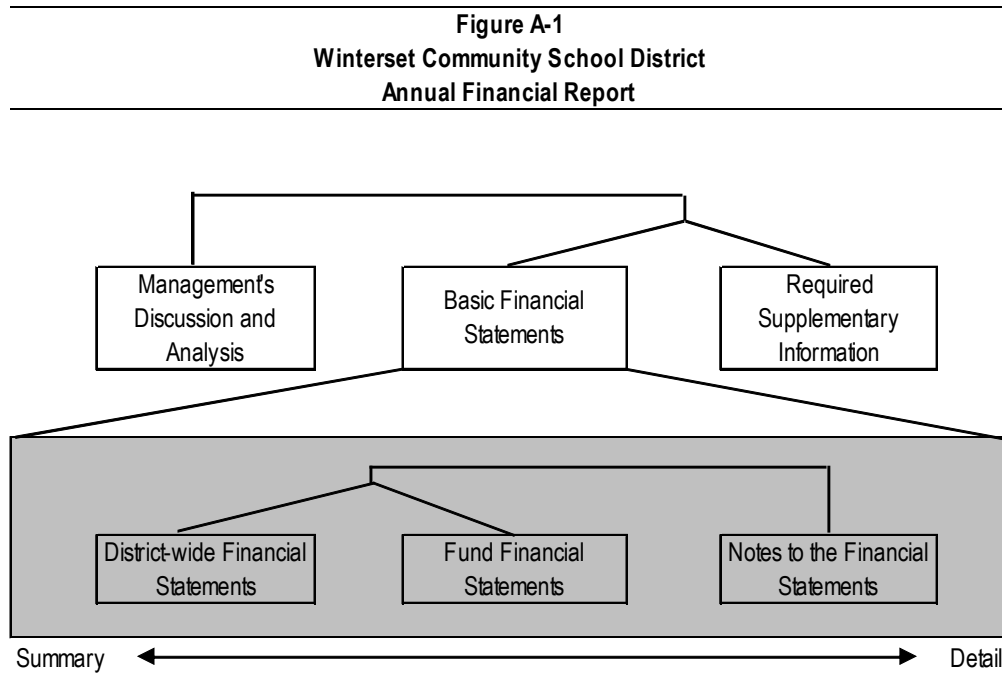


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenses and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Community Services	Special Projects

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- ◆ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.
- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently 10 scholarship trust funds: V Smith, Harpole, Hendricks, Keul, Ridout, See, Waddingham, Dorrell, Cooper and McGuiness .
- Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District organizations and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-3							
Condensed Statement of Net Assets							
	Governmental Activities		Business type activities		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current assets	\$ 18,636,981	20,424,365	174,886	138,332	18,811,867	20,562,697	-8.5%
Noncurrent assets	20,117,515	11,308,341	14,164	16,956	20,131,679	11,325,297	77.8%
Total assets	38,754,496	31,732,706	189,050	155,288	38,943,546	31,887,994	22.1%
Current liabilities	12,285,078	13,855,600	15,179	18,326	12,300,257	13,873,926	-11.3%
Noncurrent liabilities	18,514,518	9,146,259	-	3,857	18,514,518	9,150,116	102.3%
Total liabilities	30,799,596	23,001,859	15,179	22,183	30,814,775	23,024,042	33.8%
Net assets:							
Invested in capital assets,							
net of related debt	8,330,489	9,120,409	14,164	16,956	8,344,653	9,137,365	-8.7%
Restricted	2,643,560	1,574,964	-	-	2,643,560	1,574,964	67.8%
Unrestricted	(3,019,149)	(1,964,526)	159,707	116,149	(2,859,442)	(1,848,377)	54.7%
Total net assets	\$ 7,954,900	8,730,847	173,871	133,105	8,128,771	8,863,952	-8.3%

The District's combined net assets decreased by 8.3% or \$735,181, over the prior year. The largest portion of the district's net assets is invested in capital assets (e.g. land infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$1,068,596 or 67.8% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$1,011,065 or 54.7%. This decrease in unrestricted net assets was primarily a result of a decrease in the General Fund balance.

**Winterset Community School District
Management's Discussion and Analysis
June 30, 2010**

Figure A-4 shows the change in net assets for the year ended June 30, 2010 as compared to June 30, 2009.

Figure A-4 Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service	\$ 951,669	853,602	378,475	431,901	1,330,144	1,285,503	3.5%
Operating grants, contributions and restricted interest	3,303,748	2,387,593	353,519	316,005	3,657,267	2,703,598	35.3%
Capital grants	-	62,963			-	62,963	-100.0%
General revenues:							
Property tax	6,829,647	5,726,994	-	-	6,829,647	5,726,994	19.3%
Statewide sales and service tax	1,056,141	988,207	-	-	1,056,141	988,207	6.9%
Unrestricted state grants	6,150,070	7,289,236	-	-	6,150,070	7,289,236	-15.6%
Unrestricted investment earnings	302,511	263,436	-	-	302,511	263,436	14.8%
Other	49,378	49,687	881	-	50,259	49,687	1.2%
Total revenues	18,643,164	17,621,718	732,875	747,906	19,376,039	18,369,624	5.5%
Program expenses:							
Governmental activities:							
Instruction	11,439,232	11,105,126	-	-	11,439,232	11,105,126	3.0%
Support services	5,248,100	4,965,867	-	-	5,248,100	4,965,867	5.7%
Non-instructional programs	13,714	8,309	692,109	735,047	705,823	743,356	-5.0%
Other expenses	2,428,966	1,488,424	-	-	2,428,966	1,488,424	63.2%
Total expenses	19,130,012	17,567,726	692,109	735,047	19,822,121	18,302,773	8.3%
Other financing sources, net	-	(11,599)	-	-	-	(11,599)	-100.0%
Change in net assets	\$ (486,848)	42,393	40,766	12,859	(446,082)	55,252	-907.4%

In fiscal 2010, property tax, statewide sales, services and use tax, and unrestricted state grants account for 75.3% of the total revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$19,376,039, of which \$18,643,164 was for governmental activities and \$732,875 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.5% increase in revenues and an 8.3% increase in expenses. Property tax revenues increased 19.3% to fund the increases in expenditures. The increases in expenses were related to increases in negotiated salary and benefits as well as increases in expenses related to the net OPEB liability.

Governmental Activities

Revenues for governmental activities were \$18,643,164 and expenses were \$19,130,012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services		Change	Net Cost of Services		Change
	2010	2009	2009-2010	2010	2009	2009-2010
Instruction	\$ 11,439,232	11,105,126	3.0%	7,928,114	8,470,810	-6.4%
Support services	5,248,213	4,965,867	5.7%	5,167,603	4,959,540	4.2%
Noninstructional programs	13,714	8,309	65.0%	13,714	8,309	65.0%
Other expenses	2,428,966	1,488,424	63.2%	1,765,277	824,909	114.0%
Totals	\$ 19,130,125	17,567,726	8.9%	14,874,708	14,263,568	4.3%

- The cost financed by users of the District's programs was \$951,669.
- Federal and state government subsidized certain programs with grants and capital contributions totaling \$3,303,748.
- The net cost of governmental activities was financed with \$6,829,647 in local tax, \$1,056,141 in statewide sales, services and use tax, \$6,150,070 in unrestricted state grants, \$302,511 in interest income and \$49,378 in other general revenues.

Business Type Activities

Revenues for business type activities were \$732,875 and expenses were \$692,109. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Winterset Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$7,126,160, compared to last year's ending fund balances of \$6,931,229. However, the primary reason for the increase in combined fund balances in fiscal 2010 is due to expenditures exceeding revenues in the General Fund and bond proceeds in excess in construction expenditures in Capital funds.

Governmental Fund Highlights

- The District's decrease in its General Fund financial position from a deficit \$1,606,128 to a deficit \$2,107,769 is the product of many factors. Revenues increased due to increased property taxes, ARRA funding and grants. These increased revenues were diluted by a 10% across the board cut in State funding from the Governor in November. The District's increase in General Fund expenditures was primarily due to increased salary and benefit costs. Expenditures growth was controlled by eliminating consultants and by not filling vacant positions created by mid-year resignations.
- Capital Projects Fund balance increased from \$7,731,284 in fiscal 2009 to \$8,090,896 in fiscal 2010 due to the issuing of \$2.95M general obligation bonds and \$6.325M School Infrastructure Sales, Service and Use Tax revenue bonds net of construction expenditures during fiscal year 2010.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$133,105 at June 30, 2009 to \$173,871 at June 30, 2010, representing an increase of 30.6%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$487,609 less than budgeted revenues, a variance of 2.5%. The most significant variance resulted from the District receiving more in federal sources due to American Recovery and Reinvestment Act Funds less a 10% across the board state aid reduction beginning in November.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$19,908,175, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 75.8% from last year. More detailed information about the District's capital assets is presented in the notes to the financial statements. Depreciation expense for the year was \$531,389.

The original cost of the District's capital assets was \$19,623,298 million. Governmental funds account for \$19,358,022 with the remainder of \$265,276 in the Proprietary, School Nutrition Fund.

The largest change in capital assets activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$10,919,630 at June 30, 2010, compared to \$1,968,237 at June 30, 2009. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation bonds for the construction of a new middle school and from construction activity at the Elementary and High School financed by the issuance of school infrastructure sales, service and use tax revenue bonds.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 457,901	457,901	-	-	457,901	457,901	0.0%
Construction in progress	10,919,630	1,968,237	-	-	10,919,630	1,968,237	454.8%
Buildings	6,802,017	7,012,593	-	-	6,802,017	7,012,593	-3.0%
Improvements other than buildings	1,209,214	1,301,974	-	-	1,209,214	1,301,974	-7.1%
Furniture and equipment	505,249	567,636	14,164	16,956	519,413	584,592	-11.1%
Totals	\$ 19,894,011	11,308,341	14,164	16,956	19,908,175	11,325,297	75.8%

Long Term Debt

At June 30, 2010, the District has \$19,011,643 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 95.2% percent from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in the notes to the financial statements.

As of June 30, 2010, the District had outstanding general obligation bonds of \$11,760,000, outstanding revenue bonds of \$6,325,000, outstanding early retirement benefits of \$418,023 payable from the Special Revenue, Management Fund, \$100,620 outstanding in compensated absences payable from the General Fund and a net OPEB liability of \$408,000.

Figure A-7			
Outstanding Long-Term Obligations			
	June 30,		Change
	2010	2009	2009-2010
General obligation bonds	\$ 11,310,000	9,240,000	22.4%
Revenue bonds	6,325,000	-	-
Early retirement	314,543	199,311	57.8%
Compensated absences	100,620	96,182	4.6%
Other postemployment benefits	408,000	200,143	100.0%
Totals	\$ 18,458,163	9,735,636	89.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:

- The District experienced a drop in enrollment in fiscal 2010 for the first time in six years. The drop was due to a count correction at the preschool level and a large graduating class the prior year. In the long-term, the District expects continued growth in enrollment due to housing and commercial development in NE Madison County as the city of West Des Moines expands southward.
- Every year the District negotiates new agreements with the Winterset Community Education Association (WCEA) for teachers and the Winterset Educational Support Employees Association (WESEA) for support personnel. Any settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The District raised taxes for fiscal 2010 which included a large cash reserve to correct the cash shortfall of the past two years. The District will not be able to sustain this high tax rate long-term.
- The State of Iowa was not able to fully fund state aid in fiscal 2010 nor will it be able to do so in fiscal 2011. Their use of one time money (ARRA) to backfill the short fall creates a potential funding "cliff" for fiscal 2012.
- The \$339,420 ARRA Jobs money, being paid to the District in fiscal 2011 will be set aside for fiscal 2012. The funds will be used for the creation of new jobs or to sustain existing jobs at risk of reduction due to financial conditions.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Cammy Leners, Business Manager/Board Secretary, Winterset Community School District, 224 E. Hwy 92, Ste. 3, P.O. Box 30, Winterset, Iowa, 50273-0030.

Basic Financial Statements

Winterset Community School District
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 9,720,010	112,033	9,832,043
Receivables:			
Property tax:			
Delinquent	95,101	-	95,101
Succeeding year	7,579,597	-	7,579,597
Income surtax	303,126	-	303,126
Accounts	4,609	53,467	58,076
Due from other governments	934,538	-	934,538
Inventories	-	9,386	9,386
Total current assets	18,636,981	174,886	18,811,867
Noncurrent assets:			
Deferred bond costs	223,504	-	223,504
Capital assets, net of accumulated depreciation	19,894,011	14,164	19,908,175
Total capital assets	19,894,011	14,164	19,908,175
Total noncurrent assets	20,117,515	14,164	20,131,679
Total assets	\$ 38,754,496	189,050	38,943,546
Liabilities			
Current liabilities:			
Accounts payable	\$ 1,284,365	600	1,284,965
Salaries and benefits payable	1,543,055	161	1,543,216
Accrued interest payable	246,647	-	246,647
Due to other governments	19,647	-	19,647
Unearned revenue:			
Succeeding year property tax	7,579,597	-	7,579,597
Income surtax	303,126	-	303,126
Other	52,993	14,418	67,411
ISCAP warrants payable	685,000	-	685,000
ISCAP accrued interest	17,168	-	17,168
General obligation bonds payable	450,000	-	450,000
Early retirement	103,480	-	103,480
Total current liabilities	12,285,078	15,179	12,300,257
Noncurrent liabilities:			
General obligation bonds payable	11,310,000	-	11,310,000
Revenue bonds payable	6,325,000	-	6,325,000
Compensated absences	100,620	-	100,620
Early retirement	314,543	-	314,543
Bond premium	56,355	-	56,355
Other post employment benefits	408,000	-	408,000
Total noncurrent liabilities	18,514,518	-	18,514,518
Total liabilities	30,799,596	15,179	30,814,775

Exhibit A

Winterset Community School District
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business Type Activities	Total
Net assets			
Invested in capital assets, net of related debt	8,330,489	14,164	8,344,653
Restricted for:			
Management levy	87,242	-	87,242
Physical plant and equipment levy	330,213	-	330,213
Other special revenue	201,770	-	201,770
Capital projects	1,043,535	-	1,043,535
Debt service	803,044	-	803,044
Purpose restricted	177,756	-	177,756
Unrestricted	(3,019,149)	159,707	(2,859,442)
Total net assets	7,954,900	173,871	8,128,771
Total liabilities and net assets	\$ 38,754,496	189,050	38,943,546

See notes to financial statements.

Winterset Community School District
Statement of Activities
Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 6,775,048	489,122	1,891,364	(4,394,562)	-	(4,394,562)
Special	3,417,912	116,411	707,117	(2,594,384)	-	(2,594,384)
Other	1,246,272	268,542	38,562	(939,168)	-	(939,168)
	11,439,232	874,075	2,637,043	(7,928,114)	-	(7,928,114)
Support Service:						
Student	582,192	-	-	(582,192)	-	(582,192)
Instructional staff	749,591	-	-	(749,591)	-	(749,591)
Administration	1,602,736	-	-	(1,602,736)	-	(1,602,736)
Operating and maintenance of plant	1,551,379	-	-	(1,551,379)	-	(1,551,379)
Transportation	762,202	77,594	3,016	(681,592)	-	(681,592)
	5,248,100	77,594	3,016	(5,167,490)	-	(5,167,490)
Non-instructional programs	13,714	-	-	(13,714)	-	(13,714)
Other expenditures:						
Facilities acquisition	918,972	-	-	(918,972)	-	(918,972)
Long-term debt interest	434,188	-	-	(434,188)	-	(434,188)
AEA flowthrough	848,150	-	663,689	(184,461)	-	(184,461)
Depreciation (unallocated)*	227,656	-	-	(227,656)	-	(227,656)
	2,428,966	-	663,689	(1,765,277)	-	(1,765,277)
Total governmental activities	19,130,012	951,669	3,303,748	(14,874,595)	-	(14,874,595)
Business type activities:						
Non-instructional programs:						
Nutrition services	692,109	378,475	353,519	-	39,885	39,885
Total business type activities	692,109	378,475	353,519	-	39,885	39,885
Total primary government	\$ 19,822,121	1,330,144	3,657,267	(14,874,595)	39,885	(14,834,710)

Winterset Community School District
Statement of Activities
Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Totals continued from previous pages	<u>\$ 19,822,121</u>	<u>1,330,144</u>	<u>3,657,267</u>	(14,874,595)	39,885	(14,834,710)
General Revenues:						
Property tax levied for:						
General purposes				5,702,063	-	5,702,063
Debt service				1,000,890	-	1,000,890
Capital outlay				126,694	-	126,694
Statewide sales and services tax				1,056,141	-	1,056,141
Unrestricted state grants				6,150,070	-	6,150,070
Unrestricted investment earnings				302,511	-	302,511
Contributions not restricted to specific programs				13,962	-	13,962
Other				35,416	881	36,297
Total general revenues				<u>14,387,747</u>	<u>881</u>	<u>14,388,628</u>
Change in net assets				(486,848)	40,766	(446,082)
Net assets beginning of year, as restated				<u>8,441,748</u>	<u>133,105</u>	<u>8,574,853</u>
Net assets end of year				<u>\$ 7,954,900</u>	<u>173,871</u>	<u>8,128,771</u>

*This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Winterset Community School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Assets					
Cash and pooled investments	\$ 94,838	509,748	8,459,775	655,649	9,720,010
Receivables:					
Property tax:					
Current year delinquent	73,636	14,060	-	7,405	95,101
Succeeding year	6,021,172	927,933	-	630,492	7,579,597
Income surtax	303,126	-	-	-	303,126
Accounts	4,609	-	-	-	4,609
Due from other funds	-	-	29,539	-	29,539
Due from other governments	337,987	-	596,551	-	934,538
Total assets	\$ 6,835,368	1,451,741	9,085,865	1,293,546	18,666,520
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 302,305	-	965,430	16,630	1,284,365
Salaries and benefits payable	1,541,726	-	-	1,329	1,543,055
Due to other governments	19,647	-	-	-	19,647
Due to other funds	-	-	29,539	-	29,539
Early retirement payable	-	-	-	25,870	25,870
ISCAP warrants payable	685,000	-	-	-	685,000
ISCAP accrued interest payable	17,168	-	-	-	17,168
Deferred revenue:					
Succeeding year property tax	6,021,172	927,933	-	630,492	7,579,597
Income surtax	303,126	-	-	-	303,126
Other	52,993	-	-	-	52,993
Total liabilities	8,943,137	927,933	994,969	674,321	11,540,360
Fund balances:					
Reserved for:					
Categorical funding	177,756	-	-	-	177,756
Debt service	-	523,808	525,883	-	1,049,691
Unreserved:					
Undesignated	(2,285,525)	-	7,565,013	619,225	5,898,713
Total fund balances	(2,107,769)	523,808	8,090,896	619,225	7,126,160
Total liabilities and fund balances	\$ 6,835,368	1,451,741	9,085,865	1,293,546	18,666,520

See notes to financial statements.

Exhibit D

**Winterset Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2010**

Total fund balances of governmental funds (Exhibit C)	\$ 7,126,160
--	---------------------

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	19,894,011
--	------------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(246,647)
--	-----------

Long-term liabilities, including bonds payable, early retirement, compensated absences, bond discounts and premiums and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(18,818,624)</u>
---	---------------------

Net assets of governmental activities (Exhibit A)	<u>\$ 7,954,900</u>
--	----------------------------

See notes to financial statements.

Exhibit E

Winterset Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2010

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 5,319,127	1,000,890	1,056,141	509,631	7,885,789
Tuition	538,865	-	-	-	538,865
Other	203,155	516	258,129	290,974	752,774
State sources	7,969,673	508	-	268	7,970,449
Federal sources	1,486,818	-	-	-	1,486,818
Total revenues	15,517,638	1,001,914	1,314,270	800,873	18,634,695
Expenditures:					
Current:					
Instruction:					
Regular	6,336,731	-	4,864	122,223	6,463,818
Special	3,355,790	-	-	10,158	3,365,948
Other	888,612	-	-	245,558	1,134,170
	10,581,133	-	4,864	377,939	10,963,936
Support services:					
Student	562,253	-	-	1,731	563,984
Instructional staff	752,092	-	-	1,229	753,321
Administration	1,545,738	-	-	10,408	1,556,146
Operation and maintenance of plant	1,328,776	-	-	194,189	1,522,965
Transportation	589,939	-	79,050	72,519	741,508
	4,778,798	-	79,050	280,076	5,137,924
Noninstructional services	-	-	-	13,714	13,714
Other expenditures:					
Facilities acquisition	-		9,805,590	98,246	9,903,836
Long-term debt:					
Principal	-	430,000	-	-	430,000
Interest	-	433,588	-	-	433,588
Issuance Costs	-	-	51,699	-	51,699
Fiscal charges	-	600	-	-	600
AEA flowthrough	663,689	-	-	-	663,689
	663,689	864,188	9,857,289	98,246	11,483,412
Total expenditures	16,023,620	864,188	9,941,203	769,975	27,598,986
Excess (deficiency) of revenues over (under) expenditures	(505,982)	137,726	(8,626,933)	30,898	(8,964,291)

Exhibit E

Winterset Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2010

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Other financing sources (uses):					
Proceeds from sale of assets	4,342	-	-	-	4,342
General obligation bonds issued	-	4,127	2,950,000	-	2,954,127
Revenue bonds issued	-	-	6,325,000	-	6,325,000
Bond premium received	-	-	59,321	-	59,321
Bond discount costs	-	-	(183,568)	-	(183,568)
Operating transfers in	-	164,208	-	-	164,208
Operating transfers out	-	-	(164,208)	-	(164,208)
Total other financing sources	4,342	168,335	8,986,545	-	9,159,222
Net change in fund balances	(501,640)	306,061	359,612	30,898	194,931
Fund balances beginning of year	(1,606,129)	217,747	7,731,284	588,327	6,931,229
Fund balances end of year	<u>\$ (2,107,769)</u>	<u>523,808</u>	<u>8,090,896</u>	<u>619,225</u>	<u>7,126,160</u>

See notes to financial statements.

Winterset Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) **\$ 194,931**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 9,114,267	
Depreciation expense	<u>(528,597)</u>	8,585,670

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. The amounts of long-term liabilities issued and repaid are as follows:

Issued	\$ (9,275,000)	
Repaid	\$ 430,000	
Amortization of premiums and bond issuance costs	<u>167,149</u>	(8,677,851)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(184,461)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ (192,842)	
Compensated absences	(4,438)	
Other postemployment benefits	<u>(207,857)</u>	(405,137)

Change in net assets of governmental activities (Exhibit B) **\$ (486,848)**

See notes to financial statements.

Winterset Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Non-major Enterprise Fund
Assets	
Current assets:	
Cash and investments	\$ 112,033
Receivables:	
Accounts	53,467
Inventories	9,386
Total current assets	<u>174,886</u>
Noncurrent assets:	
Property and equipment:	
Machinery and equipment	265,276
Accumulated depreciation	(251,112)
Total noncurrent assets	<u>14,164</u>
Total assets	<u><u>\$ 189,050</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 600
Salaries and benefits payable	161
Unearned revenue	14,418
Total liabilities	<u>15,179</u>
Net Assets	
Invested in capital assets, net of related debt	14,164
Unrestricted	159,707
Total net assets	<u>173,871</u>
Total liabilities and net assets	<u><u>\$ 189,050</u></u>

See notes to financial statements.

Exhibit H

Winterset Community School District
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended June 30, 2010

	Non-major Enterprise Fund
Operating revenue:	
Local sources:	
Operating revenues	\$ 378,475
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Depreciation	2,792
Other	689,317
Total operating expenses	692,109
Operating loss	(313,634)
Non-operating revenue:	
Local sources	881
State sources	7,094
Federal sources	346,425
Total non-operating revenue	354,400
Net income	40,766
Net assets beginning of year	133,105
Net assets end of year	\$ 173,871

See notes to financial statements.

Exhibit I

Winterset Community School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010

	Non-major Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 374,186
Cash payments to employees for services	(199,398)
Cash payments to suppliers for goods or services	(425,354)
Net cash used by operating activities	(250,566)
Cash flows from non-capital financing activities:	
Operating grants and contributions received	703
State grants received	7,094
Federal grants received	273,931
Net cash provided by non-capital financing activities	281,728
Cash flows from capital and related financing activities:	
Acquisition of capital assets	
Net cash provided by capital and related financing activities	-
Cash flows from investing activities:	
Interest on investments	178
Net cash provided by investing activities	178
Net increase in cash and cash equivalents	31,340
Cash and cash equivalents at beginning of year	80,693
Cash and cash equivalents at end of year	\$ 112,033
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (313,634)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities	72,494
Depreciation	2,792
(Increase) in accounts receivable	(5,678)
Decrease in inventories	464
Increase in accounts payable	600
(Decrease) in salaries and benefits payable	(5,136)
Increase in unearned revenue	1,389
(Decrease) in other postemployment benefits payable	(3,857)
Net cash used by operating activities	\$ (250,566)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 112,033
Cash and cash equivalents at year end	\$ 112,033

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at \$72,494.

See notes to financial statements.

Winterset Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Current assets:		
Cash and pooled investments	\$ 223,261	31,743
Accounts receivable	-	6,457
Total assets	223,261	38,200
Liabilities		
Current liabilities:		
Salary and benefits payable	-	2,837
Accounts payable	-	35,363
Total liabilities	-	38,200
Net assets		
Held in trust for scholarships and special projects	223,261	-
Total net assets	\$ 223,261	-

See notes to financial statements.

Exhibit K

Winterset Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2010

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Contributions and donations	\$	10,650
Interest		5,293
Total additions		15,943
Deductions:		
Instruction:		
Services		16,213
Change in net assets		(270)
Net assets beginning of year		223,531
Net assets end of year	\$	223,261

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Winterset Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Winterset, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Winterset Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Winterset Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Physical Plant and Equipment Levy (PPEL) Fund: This fund is authorized by Iowa Code 298.2 and accounts for transactions related to the improvement of facilities and grounds, construction of school houses, certain equipment expenditures and other expenditures authorized in Iowa Code 298.3.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise funds of the District are considered non-major:

Nutrition Services: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund types:

Private Purpose Trust Fund: These funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Agency Fund: These funds account for assets held by the District as an agency for individuals and private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures exceeded the amounts budgeted in the support services functional area.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments as follows:

Farmers & Merchants State Bank Certificates of Deposit	\$ 8,252,102
Exchange State Bank Certificate of Deposit	1,057
Union State Bank Certificate of Deposit	1,009
Iowa Schools Joint Investment Trust	
Diversified portfolio (amortized cost)	1,355,881
	<u>\$ 9,610,049</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 164,208</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-2010B warrants was 4.5%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09B	\$ 1,601,000	-	1,601,000	
2009-10A	3,399,000	991,000	4,390,000	-
2009-10B	-	1,685,000	1,000,000	685,000
	<u>\$ 5,000,000</u>	<u>2,676,000</u>	<u>6,991,000</u>	<u>685,000</u>

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 457,901	-	-	457,901
Construction in progress	1,968,237	8,951,393	-	10,919,630
Total capital assets not being depreciated	2,426,138	8,951,393	-	11,377,531
Capital assets being depreciated:				
Buildings	12,407,228	34,719	-	12,441,947
Land improvements	1,926,919	-	-	1,926,919
Machinery and equipment	2,597,737	128,155	-	2,725,892
Total capital assets being depreciated	16,931,884	162,874	-	17,094,758
Less accumulated depreciation for:				
Buildings	5,394,635	245,295	-	5,639,930
Land improvements	624,945	92,760	-	717,705
Machinery and equipment	2,030,101	190,542	-	2,220,643
Total accumulated depreciation	8,049,681	528,597	-	8,578,278
Total capital assets being depreciated, net	8,882,203	(365,723)	-	8,516,480
Governmental activities capital assets, net	\$ 11,308,341	8,585,670	-	19,894,011
Business type activities:				
Machinery and equipment	\$ 265,276	-	-	265,276
Less accumulated depreciation	248,320	2,792	-	251,112
Business type activities capital assets, net	\$ 16,956	(2,792)	-	14,164
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular			\$	32,057
Other				106,632
Support services:				
Student support				1,798
Administration				4,818
Operation and maintenance of plant				32,543
Transportation				123,093
				300,941
Unallocated				227,656
Total depreciation expense - governmental activities			\$	528,597
Business type activities:				
Food services			\$	2,792

(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,240,000	2,950,000	430,000	11,760,000	450,000
Revenue bonds	-	6,325,000	-	6,325,000	-
Early retirement	199,311	343,718	125,006	418,023	103,480
Compensated absences	96,182	4,438	-	100,620	100,620
Net OPEB liability	200,143	207,857	-	408,000	-
	<u>\$ 9,735,636</u>	<u>9,831,013</u>	<u>555,006</u>	<u>19,011,643</u>	<u>654,100</u>
Business-type activities:					
Net OPEB liability	\$ 3,857	-	3,857	-	654,100

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Bond Issue of July 1, 2008				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.75%	\$ 450,000	356,993	806,993
2012	3.75%	350,000	340,118	690,118
2013	3.75%	360,000	326,993	686,993
2014	3.50%	380,000	313,493	693,493
2015-2019	3.50-5.00%	2,145,000	1,318,912	3,463,912
2020-2024	3.80-4.00%	2,625,000	828,875	3,453,875
2025-2028	4.05-4.10%	2,500,000	261,080	2,761,080
Total		<u>\$ 8,810,000</u>	<u>3,746,464</u>	<u>12,556,464</u>

Bond Issue of November 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.75%	\$ -	120,940	120,940
2012	3.75%	110,000	230,940	340,940
2013	3.75%	115,000	231,815	346,815
2014	3.50%	120,000	232,503	352,503
2015-2019	3.50-4.00%	680,000	1,169,262	1,849,262
2020-2024	4.00-4.10%	850,000	1,190,515	2,040,515
2025-2029	4.10-4.50%	1,075,000	1,221,735	2,296,735
Total		<u>\$ 2,950,000</u>	<u>4,397,710</u>	<u>7,347,710</u>

Revenue Bonds

Details of the District's June 30, 2010 local option sales and services tax revenue bonded indebtedness are as follows:

Year ending June 30,	Bond Issue of November 1, 2009			
	Interest Rates	Principal	Interest	Total
2011	3.00%	\$ -	292,235	292,235
2012	3.00%	120,000	368,688	488,688
2013	3.00%	175,000	419,263	594,263
2014	3.00%	185,000	423,863	608,863
2015-2019	3.00-3.50%	1,300,000	2,384,226	3,684,226
2020-2024	3.65-4.10%	1,605,000	2,433,820	4,038,820
2025-2029	4.25-4.60%	2,060,000	2,507,706	4,567,706
2030-2031	4.65-4.75%	880,000	910,160	1,790,160
Total		\$ 6,325,000	9,739,961	16,064,961

The District has pledged statewide sales, services and use tax revenues to repay the \$6,325,000 bonds issued in November, 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2031. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$14,274,801. For the current year, no principal or interest were paid on the bonds.

Total statewide sales, services and use tax revenues were \$1,056,141.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$165,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be age fifty-five to sixty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's salary calculated by using the salary in effect the last year of the employee's employment with the school district. Early retirement benefits paid during the year ended June 30, 2010, totaled \$125,006 and were paid by the Special Revenue, Management Levy Fund.

The District has chosen to include three months as a current liability for early retirement in the governmental financial statements. The government-wide financial statements include twelve months as a current liability for early retirement.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 256 active and 25 retired members in the plan. Participants must be age 55 or older at retirement and must have been employed full time by the District for a minimum of 10 consecutive years prior to the retirement year.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 296,000
Interest on net OPEB obligation	13,000
Annual OPEB cost	<u>309,000</u>
Contributions made	<u>(105,000)</u>
Increase in net OPEB obligation	204,000
Net OPEB obligation beginning of year	<u>204,000</u>
Net OPEB obligation end of year	<u><u>\$ 408,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The required contribution is based on projected pay-as-you-go financing. For the year ended June 30, 2010, the District contributed \$105,000. Retiree and active members receiving benefits contributed \$34,000 through their required contribution for single and family health coverage combined, depending on which of the two plans offered by the District the employee participated in.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 309,000	34.0%	\$ 204,000

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1,758,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,758,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,881,398, and the ratio of the UAAL to covered payroll was 17.8%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$295 per month for retirees who have attained age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$753,677, \$702,023, and \$621,648, respectively, equal to the required contributions for each year.

(9) Risk Management

Winterset Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$663,689 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

The District entered into contracts totaling \$15,827,731 for the construction of new buildings and improvements. As of June 30, 2010, costs of \$10,919,630 had been incurred against the contracts. The balance of \$4,908,101 remaining at June 30, 2010 will be paid as work on the projects progresses.

Project	Projected Cost	Costs Incurred
Middle School	\$ 10,492,963	8,887,962
High School addition	3,341,375	461,443
Elementary addition	1,993,393	1,570,225
	<u>\$ 15,827,731</u>	<u>10,919,630</u>

(12) Operating Leases

The District entered into a two year and six month agreement which expires April 1, 2011 for the lease of its administrative offices. The total minimum lease commitment under the agreement is as follows:

Year ending June 30,	Minimum Lease Payments
2011	\$ 21,600

The total lease expense for the year ended June 30, 2010 was \$28,800.

(13) Accounting Restatement

The total beginning net assets of governmental activities fund balance was decreased by \$289,099 due to a reallocation of deferred revenues.

Required Supplementary Information

Winterset Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 9,177,428	379,356	9,556,784	9,524,814	31,970
Intermediate sources	-	-	-	10,000	(10,000)
State sources	7,970,449	7,094	7,977,543	9,614,645	(1,637,102)
Federal sources	1,486,818	346,425	1,833,243	705,720	1,127,523
Total revenues	18,634,695	732,875	19,367,570	19,855,179	(487,609)
Expenditures:					
Instruction	10,963,936		10,963,936	11,794,256	830,320
Support services	5,137,924		5,137,924	5,051,104	(86,820)
Noninstructional programs	13,714	692,109	705,823	851,197	145,374
Other expenditures	11,483,412		11,483,412	12,423,400	939,988
Total expenditures	27,598,986	692,109	28,291,095	30,119,957	1,828,862
Excess (deficiency) of revenues over (under) expenditures	(8,964,291)	40,766	(8,923,525)	(10,264,778)	1,341,253
Other financing sources, net	9,159,222	-	9,159,222	3,607,000	5,552,222
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	194,931	40,766	235,697	(6,657,778)	6,893,475
Balances beginning of year	6,931,229	133,105	7,064,334	5,561,154	1,503,180
Balances end of year	\$ 7,126,160	173,871	7,300,031	(1,096,624)	8,396,655

See accompanying independent auditor's report.

Winterset Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures exceeded the amounts budgeted in the support services functional area.

Winterset Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 1,758,000	\$ 1,758,000	0.0%	\$ 9,451,000	18.6%
2010	July 1, 2008	-	1,758,000	1,758,000	0.0%	9,881,398	17.8%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Schedule 1

Winterset Community School District
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2010

	Special Revenue Funds			
	Management	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 108,816	213,549	333,284	655,649
Receivables:				
Property tax:				
Current year delinquent	5,625		1,780	7,405
Succeeding year	500,000		130,492	630,492
Total assets	\$ 614,441	213,549	465,556	1,293,546
Liabilities and Fund Equity				
Liabilities:				
Accounts payable		11,779	4,851	16,630
Salaries and benefits payable	1,329			1,329
Early retirement	25,870			25,870
Deferred revenue:				
Succeeding year property tax	500,000		130,492	630,492
Total liabilities	527,199	11,779	135,343	674,321
Fund balances:				
Unreserved, undesignated	87,242	201,770	330,213	619,225
Total liabilities and fund equity	\$ 614,441	213,549	465,556	1,293,546

See accompanying independent auditor's report.

Schedule 2

Winterset Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

Year Ended June 30, 2010

	Special Revenue Funds			
	Management	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax:				
Property tax	\$ 369,131	-	122,439	491,570
Utility tax replacement excise tax	13,479	-	4,154	17,633
Mobile home tax	327	-	101	428
	382,937	-	126,694	509,631
Other local sources:				
Interest on investments	224	248	327	799
Student activities		266,379	-	266,379
Other	23,796	-	-	23,796
	24,020	266,627	327	290,974
	406,957	266,627	127,021	800,605
State sources:				
Revenue in lieu of taxes - military credit	204	-	64	268
Total revenues	407,161	266,627	127,085	800,873
Expenditures:				
Instruction:				
Regular instruction:				
Benefits	122,223	-	-	122,223
Supplies	-	-	-	-
Services	-	-	-	-
Other	-	-	-	-
	122,223	-	-	122,223
Special instruction:				
Benefits	10,158	-	-	10,158
	10,158	-	-	10,158
Other instruction:				
Salaries	-	420	-	420
Benefits	3,299	155	-	3,454
Services	-	56,412	-	56,412
Supplies	-	172,998	-	172,998
Other	-	12,274	-	12,274
	3,299	242,259	-	245,558
Total instruction	135,680	242,259	-	377,939

Schedule 2

Winterset Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

Year Ended June 30, 2010

	Special Revenue Funds			
	Management	Student Activity	Physical Plant and Equipment Levy	Total
Support Services:				
Student support services:				
Benefits	1,731	-	-	1,731
	1,731	-	-	1,731
Instructional staff support services:				
Benefits	1,229	-	-	1,229
	1,229	-	-	1,229
General administration:				
Benefits	4,262	-	-	4,262
Services	6,146	-	-	6,146
	10,408	-	-	10,408
Plant operation and maintenance:				
Benefits	24,244	-	-	24,244
Services	169,945	-	-	169,945
	194,189	-	-	194,189
Student transportation:				
Property	-		28,819	28,819
Services	23,784	-	-	23,784
Benefits	19,916	-	-	19,916
	43,700	-	28,819	72,519
Total support services	251,257	-	28,819	280,076
Other expenditures:				
Non-instructional expenditures				
Benefits	13,714	-	-	13,714
	13,714	-	-	13,714
Facilities acquisition and construction:				
Services	-	-	71,765	71,765
Property	-	-	26,481	26,481
	-	-	98,246	98,246
Total expenditures	400,651	242,259	127,065	769,975
Excess of revenues over expenditures	6,510	24,368	20	30,898
Fund balances beginning of year	80,732	177,402	330,193	588,327
Fund balances end of year	\$ 87,242	201,770	330,213	619,225

See accompanying independent auditor's report.

Schedule 3

Winterset Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
Year ended June 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 18,125	71,793	58,175	31,743
Accounts receivable	5,073	6,457	5,073	6,457
Total assets	\$ 23,198	78,250	63,248	38,200
Liabilities				
Liabilities:				
Salary and benefits payable	\$ 339	2,837	339	
Accounts payable	-	35,363	-	35,363
Due from other groups	22,859	-	22,859	-
Total liabilities	\$ 23,198	38,200	23,198	35,363

See accompanying independent auditor's report.

Schedule 4

Winterset Community School District
Schedule of Changes in Individual Student Activity Accounts
Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Elementary School:				
Interest	\$ -	5	5	-
Champs	-	3,358	1,149	2,209
PTO	26	-	-	26
Memory Book	1,763	3,677	3,548	1,892
Middle School:				
Interest	-	69	69	-
Band Resale	(3,460)	2,475	(985)	-
5th and 6th Grade	291	-	250	41
Husky Buck	141	14	-	155
Champs	8,642	464	-	9,106
Field Trips	1,617	-	1,002	615
Magazine Fund	41,045	26,822	21,354	
Recorders	25	-	-	25
Tech Projects	216	-	-	216
Supply Hut	6	-	-	6
Band	-	1,940	1,940	-
Vocal	-	151	53	98
Activity Tickets	7,691	3,429	7,525	3,595
Uniform	5,106	-	-	5,106
Cross Country	95	75	55	115
Boys Basketball	-	1,111	1,111	-
Football Parents	-	1,427	1,427	-
Boys Track Club	2,249	1,491	699	3,041
Wrestling Club	-	353	353	-
Girls Basketball	-	589	589	-
Volleyball	(300)	1,628	1,328	-
Don't use this	384	-	384	-
Girls Track Club	904	813	381	1,336
Cheerleaders	1,235	-	-	1,235
Yearbook	2,406	4,043	6,446	3
Student Council	450	-	-	450
TSA	1,682	1,103	1,147	1,638
High School:				
Activity Tickets	523	15,020	14,986	557
Interest	-	173	173	-
Champs	273	2,005	(252)	2,530
Concessions	755	10,769	11,062	462
Pop Machine	1,277	2,139	3,073	343
Play	(1,411)	3,812	2,401	-
Forensic	(254)	4,021	3,639	128
Vocal	3,834	8,565	7,300	5,099
Band Resale	4,538	6,791	10,228	1,101
Color Guard	6	-	6	-
Uniforms	-	3,743	-	3,743
Weightlifting	2,177	105	1,178	1,104
Coed Track	12,679	1,300	190	13,789
Cross Country	377	4,839	2,584	2,632

Schedule 4

Winterset Community School District
Schedule of Changes in Individual Student Activity Accounts
Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Boys Basketball	1,894	4,674	4,170	2,398
Football Parents	12,086	18,704	22,783	8,007
Boys Soccer	3,206	5,359	5,992	2,573
Baseball	-	5,340	5,340	-
Boys Track Club	2,245	3,002	3,504	1,743
Golf	104	340	444	-
Boys Drill Team	758	-	758	-
Wrestling Club	3,175	7,930	6,474	4,631
Girls Basketball	697	6,785	3,206	4,276
Volleyball	2,307	5,481	6,240	1,548
Girls Soccer	3,842	10,960	11,289	3,513
Softball	197	8,957	7,200	1,954
Girls Track Club	810	3,164	2,934	1,040
Cheerleaders	1,576	7,319	6,911	1,984
Girls Golf	-	1,055	784	271
Drill Team	685	11,566	10,251	2,000
Class of 2010	6,085	30	6,115	-
Class of 2011	2,571	5,750	3,543	4,778
Class of 2012	1,736	1,573	210	3,099
Class of 2013	500	1,155	230	1,425
Class of 2014	-	-	(1,000)	1,000
AFS	1,269	546	50	1,765
Boomerang	5,148	12,217	6,528	10,837
FBLA	1,642	8,684	8,842	1,484
FCCLA	3,335	300	80	3,555
MOC	819	565	364	1,020
NHS	-	227	227	-
Pep Club	6,974	5,253	5,257	6,970
Renaissance	288	-	(964)	1,252
SADD	134	-	134	-
Science Club	3,675	1,199	1,017	3,857
Student Council	3,647	2,110	1,009	4,748
TSA	169	1,578	755	992
WHS-TV	2,696	3,680	2,775	3,601
Y-Teen	3,656	885	1,113	3,428
FFA	1,491	161	183	1,469
Art Club	539	1,389	939	989
Spanish Club	458	-	-	458
JEL Club	-	370	174	196
Totals	\$ 177,402	266,627	242,259	155,257

See accompanying independent auditor's report.

Winterset Community School District
Schedule of Revenues by Sources and Expenditures by Function
All Governmental Funds
For the Last Nine Years

	Modified Accrual Basis								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:									
Local sources:									
Local tax	\$ 7,885,789	6,682,479	5,902,891	6,300,722	5,835,185	5,654,849	4,843,031	4,737,178	4,478,496
Tuition	538,865	556,899	620,456	520,618	485,156	386,039	435,217	403,430	307,450
Other	752,774	744,545	487,229	496,369	406,550	494,275	800,215	774,362	537,934
Intermediate sources	-	868	-	18,010	-	-	1,431	3,422	-
State sources	7,970,449	9,069,606	8,805,764	8,160,837	7,818,846	7,007,351	6,528,915	6,603,697	6,277,125
Federal sources	1,486,818	534,599	325,030	310,585	332,412	321,482	376,857	290,180	276,510
Total	\$ 18,634,695	17,588,996	16,141,370	15,807,141	14,878,149	13,863,996	12,985,666	12,812,269	11,877,515
Expenditures:									
Instruction:									
Regular	\$ 6,463,818	6,538,800		5,595,747	5,055,208	4,948,992	4,573,554	4,473,533	4,554,800
Special	3,365,948	2,798,107	2,505,110	2,688,086	2,313,143	2,023,852	2,104,456	1,912,833	1,635,018
Other	1,134,170	1,767,816	1,497,926	1,058,067	1,316,851	1,328,124	924,385	991,563	908,389
Support services:									
Student	563,984	351,332	449,044	409,289	357,966	360,342	350,360	354,185	420,368
Instructional staff	753,321	556,792	628,644	680,880	504,394	372,882	335,889	330,199	356,480
Administration	1,556,146	1,854,842	1,282,634	1,195,341	1,110,165	1,069,181	1,055,372	1,048,812	1,069,712
Operation and maintenance of plant	1,522,965	1,501,165	1,470,629	1,299,559	1,345,656	1,125,081	1,194,716	1,049,166	1,097,359
Transportation	741,508	700,621	710,525	774,989	774,339	549,379	545,414	471,362	438,979
Central support	-	-	-	-	-	-	-	-	648
Non-instructional programs	13,714	11,793	8,654	8,796	11,651	9,236	8,089	7,375	5,683
Other expenditures:									
Facilities acquisition	9,903,836	3,287,459	665,627	612,179	124,997	314,833	284,342	463,481	919,045
Long-term debt:									
Principal	430,000	620,000	545,000	875,000	830,000	805,000	1,187,000	732,000	552,000
Interest and other charges	485,887	445,336	94,390	128,110	160,313	190,797	235,961	274,056	252,252
AEA flowthrough	663,689	600,552	562,800	522,435	488,789	445,626	432,742	454,395	452,591
Total	\$ 27,598,986	21,034,615	10,420,983	15,848,478	14,393,472	13,543,325	13,232,280	12,562,960	12,663,324

See accompanying independent auditor's report.

Winterset Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	\$ 31,049
National School Lunch Program	10.555	FY 10	315,377 *
			<u>346,426</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 10	<u>175,476</u>
Vocational Education - Basic Grants to States	84.048	FY 10	<u>12,816</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>4,488</u>
Title III - English Language Acquisition	84.365	FY 10	<u>3,343</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>59,018</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>10,979</u>
ARRA - Title I Grants to Local Education Agencies - Recovery Act	84.389	FY 10	<u>45,429</u>
ARRA - Special Education - Grants to States - Recovery Act	84.391	FY 10	<u>195,355</u>
ARRA - State Fiscal Stabilization Fund(SFSF) - Education State Grants, Recovery Act	84.394	FY 10	762,982
Area Education Agency (AEA 11):			
Special Education - Grants to States	84.027	FY 10	<u>89,302</u>
Total			<u>\$ 1,705,614</u>

* - Includes \$72,494 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Winterset Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Winterset Community School District

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Winterset Community School District, Winterset, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated December 1, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winterset Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winterset Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winterset Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winterset Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Winterset Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winterset Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Van Maanen, Sietstra & Meyer, PC". The signature is written in a cursive, flowing style.

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

December 16, 2010



705 Main Street
Pella, IA 50219
641-628-3737

www.vanmaanencpa.com

Van Maanen, Sietstra & Meyer, PC

CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Education of Winterset Community School District:

Compliance

We have audited the compliance of Winterset Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Winterset Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Winterset Community School District's management. Our responsibility is to express an opinion on Winterset Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winterset Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winterset Community School District's compliance with those requirements.

In our opinion, Winterset Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Winterset Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Winterset Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Winterset Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Winterset Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

December 16, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - CFDA Number 84.394 – ARRA-State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Winterset Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts and cash disbursements within the Activity Fund were prepared by the same employee.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, exceeded the certified budget amount in the support services functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-10 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-10 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-10 Certified Enrollment – A variance in the basic enrollment data certified to the Iowa Department of Education was noted.

Recommendation – The certified enrollment data should be corrected.

Response – We will attempt to correct certified enrollment errors in the future.

Conclusion – Response accepted.

IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

Winterset Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

IV-K-10 Deficit Balances – The General Fund had a deficit balance at June 30, 2010.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate this deficit in the General Fund at the end of the fiscal year.

Conclusion – Response accepted.

IV-L-10 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$	-
Statewide sales, services and use tax revenue			1,056,141
Expenditures/transfers out			
School infrastructure:			
Facilities acquisition and construction	\$	81,054	
Debt service for school infrastructure:			
General obligation debt		164,208	245,262
Ending balance		\$	<u>810,879</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.96840	\$ 1,056,141